Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
	)	
Petition of ACS of Anchorage, Inc. Pursuant to	)	
Section 10 of the Communications Act of 1934, as	)	WC Docket No. 05-281
amended, for Forbearance from Sections 251(c)(3)	)	
and 252(d)(1) in the Anchorage LEC Study Area	)	

REPLY COMMENTS OF MATANUSKA TELEPHONE ASSOCIATION

Matanuska Telephone Association ("MTA"), by its undersigned counsel, files the following reply comments with respect to the petition of ACS of Anchorage, Inc. ("ACS") for forbearance from sections 251(c)(3) and 252(d)(1) of the Communications Act of 1934, as amended (the "Act"), 47 U.S.C. §§ 251(c)(3), 252(d)(1). MTA urges the Commission to reject the predictably self-serving opposition submitted by General Communication, Inc. ("GCI"), and renews its request that the Commission grant ACS' petition expeditiously.

1. The *Omaha Forbearance Order* Provides Strong Authority for Granting ACS' Requested Relief

The Commission should follow the authority it established in its recent grant of Qwest Corporation's petition for forbearance from enforcement of section 251(c)(3) unbundling requirements in the Omaha, Nebraska MSA[1] to approve ACS' similar petition for the Anchorage market. In the *Omaha Forbearance Order*, the Commission found that Qwest's request for relief was justified with regard to unbundled access to loop and transport elements due to "substantial intermodal competition" for telecommunications services provided over Cox Cable's extensive facilities in portions of the MSA. As has been pointed out by the United States Telecom

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1 *Petition of Qwest Corporation for Forbearance Pursuant to 47 U.S.C. § 160(c) in the Omaha Metropolitan Statistical Area*, Memorandum Opinion and Order, FCC 05-170, released December 2, 2005 ("*Omaha Forbearance Order*").

Association ("USTA") in this proceeding, GCI's cable network "covers" the Anchorage study area, like Cox's network does in portions of the Omaha MSA, because GCI "uses its own network, including its own loop facilties, through which it is willing and able, within a commercially reasonable time, to offer the full range of services that are substitutes for the incumbent LEC's local service offerings."[2]

In its opposition to ACS' petition, GCI argues that the Anchorage market is "far less mature than Omaha in terms of loop competition."[3] The record demonstrates, however, that GCI's cable network in Anchorage passes 98% of the residences and business addresses in the city, and GCI has gained almost a 50% market share of access lines at the expense of the incumbent LEC. GCI has secured this market share in the span of less than a decade by deploying a system which, according to its own filing, combines leased unbundled loops with its own switch, collocated facilities at each of ACS' central office switches, and its own metropolitan area fiber transport network.[4] If this is not a "mature" competitive market, it is hard to imagine under what circumstances GCI would ever admit that one exists.

Ironically, GCI goes to great lengths in its opposition to attempt to portray a market in Anchorage which is so "mature" as to warrant the Commission's division of it into separate product sub-markets, separating private residential from multiple dwelling units, and small businesses from mid- and large-sized enterprises in discrete market sectors.[5] The hyperbole of GCI's description of the obstacles and complexities it faces in serving each of these "sub-markets" can be appreciated when it is realized that the entire population of the Anchorage metropolitan area is some 270,000 residents, which is almost one-third less than that of the city

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2 Comments of USTA, at 2, citing *Omaha Forbearance Order*, n. 156.

3 GCI Opposition, at 1.

4 *Id.*, at 2.

5 *Id.*, at 12-19.

of Omaha, and is approximately one-third the population of the entire Omaha MSA. In fact, the population of the Omaha MSA is greater than that of the entire state of Alaska. In sum, the relevant market in Anchorage is a comparatively more compact one than that in Omaha, and the ability of GCI's cable system to "cover" that market is far less challenging than the situation faced by Cox in Omaha.[6]

2. GCI's Reliance on ACS' UNE Loops
Is Self-Imposed and Economically Motivated

The premise of GCI's opposition to ACS' petition is that GCI relies on ACS' legacy system (at regulated rates) for almost 70% of its switched voice lines in the Anchorage market. As a result, GCI's access to UNE loops cannot be taken away because, without them, it will be unable to compete, and forbearance would "return much of the Anchorage local markets to their pre-1996 state."[7] What is missing from GCI's gloss on the evolution of competition in the Anchorage market, however, is an acknowledgement that this reliance on the incumbent's network was not imposed on GCI as a result of its inability to compete for access lines by other means, but instead was chosen by GCI for reasons of economic self-interest. As pointed out in MTA's initial comments, ACS' petition anticipates GCI's argument that denial of access to UNE loops will impair its ability to compete, and provides ample evidence that no such technical impairment exists.[8]

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6 GCI's claim that access to ACS UNEs remains essential to it, particularly for service to enterprise customers, fails to acknowledge that ACS' petition does not seek forbearance from the incumbent's continuing obligation to provide resale at wholesale rates. ACS Petition, at 3.

7 GCI Opposition, at 3-4.

8 Comments of MTA, at 5-9, citing ACS Petition, at 2-3, 7-9, 12-13. *See also* Comments of Ketchikan Public Utilities, at 5-7, 9-11.

GCI would have the Commission believe that it was unable to identify a "workable cable telephony solution" until two years ago.[9] According to GCI's public relations office, however, GCI acquired the Anchorage (and other) cable facilities at the time of the passage of the 1996 Telecommunications Act with the idea of using the network for telephony competition.[10] According to GCI's opposition, the DOCSIS 2.0 specifications making packetized voice service over cable possible did not become available until the end of 2001.[11] Technology making voice services via cable possible, however, became commercially available several years before then, with the issuance of the DOCSIS 1.1 version. According to GCI's annual reports filed with the Securities and Exchange Commission, DOCSIS 1.1 qualified hardware was commercially available by 2001, and by 2002 GCI's own upgraded cable plant node was certified compliant with DOCSIS 1.1 standards.[12] Beginning in the late 1990's, cable companies in the United States that did not have access to UNE loops had deployed telephony services, and by 2001 well over 2 million U.S. cable customers had elected to receive telephone service from their cable providers.[13] For example, by the end of 2003, TimeWarner announced plans to make IP voice service available to all 18 million of its customers within a year.[14]

The fact of the matter is that GCI had the ability to deploy a cable telephony solution at an earlier stage, but did not have the incentive to do so. It was not until the second quarter of 2004, according to its SEC reports, that it began deploying a cable telephony solution "*that meets*

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9 GCI Comments, at 20.

10 *See* "GCI Plans to Switch Local Customers Over to Its 'Telephony' Cable System," Anchorage Daily News, March 2, 2003, attached as **Exhibit A.**

11 GCI Opposition, at 21.

12 GCI 10K Reports for the years ending December 31, 2001 and 2002, portions attached as **Exhibits B and C** respectively.

13 *Id. See also* Exhibit A.

14 "Time Warner Cable Expands Net-Phone Plan," Wall Street Journal, December 9, 2003, attached as **Exhibit D.**

our needs and we believe meets the needs of our customers" (emphasis added).[15] As made clear in ACS' petition and in MTA's initial comments, the timing of GCI's entry into the cable telephony market was governed by its determination of *when* such entry was most lucrative, and not by technological constraints as GCI argues. GCI goes so far as to state in its opposition that "[b]ecause GCI was already providing voice service using UNE loops, GCI could only adopt cable telephony solutions that met or exceeded the quality of GCI's existing service."[16] In this manner, GCI actually places blame for its delay in adopting a cable telephony solution on its reliance on UNE loops.

Against this background, it is disingenuous for GCI to argue now that it is transferring its customers to its cable telephony network "as quickly as possible," and to suggest that withdrawal of its access to UNE loops would unfairly harm this migration effort.[17] GCI's course of conduct belies these representations. Moreover, the Regulatory Commission of Alaska has found that GCI uses UNE loops as a form of regulatory arbitrage, exercised at the expense of the incumbent carrier.[18] As has been long recognized by the courts and this Commission, the availability of network unbundling at regulated rates imposes costs on industry and disincentives for innovation.[19]

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15 GCI 10K Report for the year ending December 31, 2004, portions attached as **Exhibit E.**

16 GCI Opposition, at 23.

17 *Id.,* at 11, 20.

18 *Petition for Suspension and Modification of Certain Section 251(c) Obligations Pursuant to Section 251(f)(2) of the Telecommunications Act of 1996 filed by Matanuska Telephone Association, Inc.*, Order U-05-46(8), issued December 20, 2005 ("*MTA S&M Order*"), at 14, 40-41, 44.

19 *USTA v. Federal Communications Comm'n*, 290 F.3d 415, 427 (D.C. Cir. 2002); *Unbundled Access to Network Elements*, Order on Remand, FCC 04-290, released February 4, 2005, ¶ 36.

GCI has had the luxury for years of deciding, at ACS' expense, the pace at which facilities-based competition would be deployed in Anchorage. This is not the purpose for which the Congress adopted unbundled network elements as a tool for competition, and the Commission should not allow UNEs to continue to be misused in this manner. Contrary to what GCI claims,[20] it very much requires external incentives to speed the deployment of its last-mile competitive facilities.

In this regard, it is offensive for GCI to attempt to argue that the Commission's ruling in the recent *Omaha Forbearance Order* should be distinguished from the present petition as a result of GCI's extensive use of UNE loops to support its competition.[21] Where, as has been demonstrated here with GCI, the competitor has elected for economic reasons to rely on access to the incumbent's network in place of using its own facilities, no public interest can possibly exist to permit that election to serve as its own justification for this practice to continue at the expense of true facilities-based competition. GCI has long been able, within a "commercially reasonable time," to use its own network to compete with ACS. It has simply chosen not to do so.

The Commission recognizes that section 10 of the Act plays an "integral" role in facilitating the Act's pro-competitive and deregulatory objectives.[22] The Commission would effectively allow its forbearance authority to be eviscerated if it were to determine that this authority should not be used in circumstances where its application can have actual effect on the competitive market.

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20 *See* GCI Opposition, at 5, 20.

21 *Id.*, at 3.

22 *Omaha Forbearance Order,* ¶ 13. *See* Joint Explanatory Statement of the Committee of Conference, S. Conf. Rep. No. 230, 104th Cong., 2d Sess. 113 (1996).

3. GCI's Assertion that ACS Will Not Negotiate Commercial UNE Rates is Speculative

GCI speculates that lifting of ACS's regulatory requirement to provide UNE loops at cost-based rates would adversely impact retail competition in Anchorage because ACS would "most likely" simply refuse to negotiate unbundled loops "at any price" or, at least, would insist on imposing "supracompetitive rates."[23] GCI, however, offers no basis for this assertion, and ACS has already represented in its petition that it will continue to offer access to unbundled local loops but at negotiated, commercial rates. It is clearly in ACS' commercial interest as owner of the legacy plant to reach reasonable terms with GCI and other competitors for the use of its facility, rather than gain no revenue from its investment. Should the Commission share the concern expressed by GCI, it can surely fashion some reasonable condition for the approval of forbearance to assure that good faith negotiation of commercial rates is carried out by the incumbent.

4. ACS' Petition Should be Granted Expeditiously

Given GCI's elective use of UNE loops as a tool to gain competitive advantage, rather than for market entry, MTA agrees with USTA's recommendation that relief from section 251(c)(3) obligations is required by ACS expeditiously. As USTA has noted in its comments, ACS is required to make pieces of its network available at cost-based rates while its competitors, most importantly GCI, are not subjected to the same, or even similar, regulatory constraints.[24] As the Regulatory Commission of Alaska has found, GCI's use of UNE loops in markets like Anchorage is a case of regulatory arbitrage, which works to the detriment of the legacy network

23 GCI Opposition, at 3-4.

24 USTA Comments, at 4-6.

provider.[25] The longer GCI can make use of unbundled local loops at regulated rates, the longer it can defer assuming the risk of facility investment, and the more extended is the competitive disadvantage to the incumbent.

The result is an uneven playing field. The Commission has the opportunity to help rectify this circumstance by granting forbearance. ACS has demonstrated its entitlement to forbearance and MTA urges that the Commission do so promptly, and without waiting until the end of the permitted statutory period for consideration of such petitions.

Conclusion

GCI's reliance on access to ACS' UNE loops has been voluntary and economically motivated. It cannot argue technical impairment from denial to such access. For the reasons set forth above, as well as in ACS' petition and in MTA's initial comments, MTA submits that the standards under section 10(a) of the Act for forbearance from enforcement of ACS' section 251(c)(3) obligations in the Anchorage market have been met. MTA urges that the Commission

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25 *MTA S&M Order*, at 12-14.

grant the petition for forbearance expeditiously in order to promote true facilities-based competition in Anchorage at the earliest time.

Respectfully submitted

MATANUSKA TELEPHONE ASSOCIATION

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February 23, 2006

Fresh connections

GCI plans to switch local customers over to its 'telephony' cable system

Richard Dowling, GCI's senior vice president for corporate development, gets his telephone service over the same wire that carries his cable television and his high-speed Internet services. Dowling's home was the first to be connected with the emerging technology, called cable telephony. In the next couple of months, GCI plans to have about 40 people, mostly GCI employees, using the system, all in the Sand Lake area. The box he's holding is connected to the exterior of the user's home. *(Photo by Marc Lester / Anchorage Daily News)*

Click on photo to enlarge

By RICHARD RICHTMYER
Anchorage Daily News

(Published: March 2, 2003)

Most people take their telephone's dial tone for granted. Richard Dowling thinks about his all the time.

Dowling, senior vice president of General Communication Inc. and a key architect of the company's telephone and cable networks, is one of a handful of GCI executives whose home telephones now get their dial tones through the same wire that provides cable television and high-speed Internet service.

Called "cable telephony" by those in the know, GCI has been working on the idea since 1996. That's when the company, which got its start as a long-distance phone service provider, broke into the cable business, buying three Alaska cable TV service providers for $280 million.

It was a bold bet on the future direction of the communications industry and the emerging technologies that blur the distinction between how phone calls, television programming and computer data are delivered to the home.

The idea was to create a single network that is capable of delivering all its services and open to future innovations in communications technology that will combine all three.

Much of the work required to make the cable phone service possible was done when GCI upgraded the cable network to deliver high-speed Internet service and digital cable TV.

When GCI bought the cable systems, they for the most part could carry signals in only one direction: from the cable company to the customer. The upgrades converted the one-way network into a two-way network and increased its carrying capacity with fiber optics, creating what is known in the industry as a hybrid fiber-coax network.

A little more than a year ago, with that framework in place, GCI engineers began in earnest to develop the platform that ties the cable system to its local telephone network, experimenting with different pieces of hardware and software until they settled on a combination that best suited their needs.

In mid-December, Dowling's home was the first to be connected, followed soon after by GCI chief executive Ron Duncan's and a few other GCI employees. In all, GCI in the next couple of months plans to have roughly 40 people using the system full-time, mostly GCI employees, all in the Sand Lake area.

They'll use their personal experiences with the new system to work out any bugs. At this time next year, GCI plans to start switching its local phone service customers in Anchorage over to the cable system.

EXHIBIT A

And barring a few glitches early on, so far so good, according to Dowling.

"I'm a convert," he said. "I wouldn't go back."

By the end of 2004, GCI is aiming to connect as many as 10,000 of its 83,000 local phone lines in Anchorage to the new system.

GCI estimates its cable network passes roughly 90 percent of all the homes in Alaska. In Anchorage, that estimate is nearer 98 percent.

Given the breadth of its coverage, GCI's cable network will play an increasingly important role in the company's local telephone service business moving forward, according to Dowling.

"Some customers will continue to be served by other technologies, but the preponderance of our residential service will be on cable," he said.

GCI has spent about $1.5 million evaluating the technology over the past few years and expects to spend about $30 million to deploy it over the next five years. The actual costs could be lower, however, if the price of the equipment falls as the manufacturers move to higher production volumes, Dowling said.

WHY BOTHER

Using cable networks to carry telephone calls is a relatively new idea, but one that's proven itself. Cable telephony was introduced in the United States during the late 1990s and industry analysts estimate that more than 2 million U.S. households and businesses had signed up for the service as of mid-2002. Comcast, Cox Communications and RCN are among the largest cable phone service providers.

The main difference between a cable telephone phone network and a traditional one is the physical connection -- called the "local loop" -- from the subscriber's phone to the central location where the carrier houses the switches and other equipment used to route calls to and from their destinations.

As in most places, the local loop in Anchorage is mostly comprised of twisted pairs of copper wires that run from a main line near the road to a box on the side of the house. From that box, called a network interface device, the pair of wires is connected to each phone jack inside. This has been the basic local-phone scheme for the past 100 years.

Alaska Communications Systems, the state's dominant local phone service provider, owns the local loop in Anchorage and is required by law to give GCI and other competing carriers access to it at rates regulated by a state commission.

In Anchorage, if GCI is your local phone company, your calls probably travel on ACS' local loop to a remote switch, where they are transferred to a GCI-owned fiber-optic cable that carries them to GCI's central office. There, they are routed through GCI's equipment. Calls to a friend across town go back out on ACS's local loop. Long-distance calls travel on GCI's fiber-optic cable.

When GCI customers want to initiate new service or make changes to their existing lines that require wiring between the home and the local loop, ACS is the company responsible for making the service call. GCI, which has captured some 40 percent of ACS' local

telephone customers in Anchorage since it began offering local phone service in 1997, has long complained that ACS discriminates against its customers.

By moving its customers off ACS' local loop and onto its own cable network, GCI is aiming in part to eliminate some of the problems the company says have stemmed from its reliance on ACS when their customers want to initiate new service or make changes to their existing lines.

We can provide them our service without having to go through another company," Dowling said.

From the customer's point of view, GCI will install a second network interface device, about the size of a large shoe box, next to the one that's already there on the side of their home or building.

Those units split the separate signals transmitted on the same coaxial cable and send them to the appropriate receiver inside the house -- the telephone, TV or computer.

The network interface devices GCI has chosen for its network have connections built into them for four separate phone lines, each of which can be activated remotely by computer, eliminating the need for a technician to visit the home to install additional lines to the house from the local loop.

The whole process of changing a home phone line over to the cable telephony system should take about an hour, according to Dowling. "Our goal is to make it a non-event for the customer," he said.

WHAT'S IN IT FOR CUSTOMERS?

By and large, the major U.S. cable telephone service providers that have used an architecture similar to the one GCI is developing have been able to deliver service on par with that delivered over traditional local loops, according to Charles Golvin, senior telecommunications analyst at Forrester Research in San Francisco.

"It's the same technology, basically, as the one the telephone companies use to carry voice traffic," Golvin said. "The only difference is that instead of going over the twisted copper pair that runs to your house, they're running through a coax cable. Fundamentally, it's the same thing."

What sets GCI apart from its counterparts offering cable phone service in the Lower 48, however, is its roots as a phone service provider.

GCI was founded in 1979 as a long-distance telephone company. It began offering local phone service in Anchorage in 1997 after a change in the federal rules governing competition, and it now commands some 40 percent of the city's local phone service market share.

The company launched local service in Fairbanks in 2001 and in Juneau last year.

That background puts GCI in a distinctive position among its cable telephony peers, most of which are using the technology as a way to provide a new service to their existing cable TV and Internet service customers.

"GCI has had the benefit of sitting back and watching all of their cable brethren work

through the bugs," said Liam Burke, a telecom analyst at investment banking firm Ferris, Baker Watts in Baltimore.

"Plus, these guys are established phone network providers," Burke added. "They were in the long-distance business originally, and that gives them a different perspective that I think works to their advantage."

One of the biggest challenges early entrants into the cable telephony game faced was convincing people that a cable phone network would be as reliable as the twisted-pair network. Local phone companies challenged by cable telephone providers often tout their networks as having "five nines" reliability, meaning they're up and running 99.999 percent of the time.

Wes Carson, ACS president and chief operating officer, said his company welcomes GCI's plans to introduce cable telephony because doing so is consistent with the spirit of the federal Telecommunications Act of 1996, which was to give customers a real choice for local service.

Like his counterparts, however, Carson stressed the proven, five nines reliability of his company's network. "If someone wants to make a lower-quality service their choice based on price, then we've got real differentiation," he said.

Although he has not spoken with anyone at ACS, Burke, a long-time telecommunications industry watcher, said many executives of other local phone companies he speaks with are beginning to recognize the threat.

"I'm a telephone guy, and nothing is more five-nines reliable than local dial tone, so I had been skeptical of this kind of service," Burke said. "But I've had a lot of discussions with telephone company people, and they understand that cable is a very real, very viable alternative to traditional local service," Burke said.

Dowling, 59, has been with GCI since the beginning, serving for many years as head of engineering and playing a key role in the construction of the company's network infrastructure.

Since it was a phone service provider first, Dowling said, network reliability has been the mantra for GCI's network engineers from the start, and it was a guiding principle in the design of the cable telephone network.

"The telephone industry tends to be a lot more conservative and a lot more focused on making things always available, and we came at it from that point of view," he said. "When there's any kind of outage, it rings the bell around here and it's all hands figuring out what to do next. The cable industry, as a whole, has had a probably deserved reputation on being less focused on that level of availability."

Some of the reliability issues are mandatory. Government regulations require telephone service to be invulnerable to electrical failures, and GCI is putting in place a battery backup system that will keep the system running for eight hours in the event of a blackout.

And since GCI already had a phone network and a solid base of customers, the company approached the design of its cable telephony platform with an aim to improve the delivery of its local phone service. It won't market "cable telephone" as a separate service, and customers who switch will see no change in the way their existing telephone or cable TV service works, according to Dowling.

"From the consumer's point of view, it should be completely transparent," he said.

EYEING VOICE OVER IP

Customers won't see any difference in its initial phases, but GCI's plan to pipe all three of its service offerings -- voice, video and data -- through one line clears a path for more advanced communications services that combine all three.

GCI's cable telephone system initially will use the same circuit-switching technology that has been in use in telephone networks for the past 100 years. Under such systems, each phone call has a dedicated, end-to-end connection for its duration.

While still in the development and testing phases, the telecommunications industry has been moving toward providing voice services that take advantage of Internet protocol, or IP, technology.

On an IP network, information is broken up into pieces, called packets, which then find their way to their destination by the most efficient path, best using the network resources available at any given instant.

Such systems are more cost efficient because they take advantage of pauses in conversations, compared with circuit-switched networks that tie up an entire line whether or not any information is being exchanged.

Voice-over-IP, as it is called, also promises integrated services that are not currently possible. For example, it could be used to provide "click through" dialing, where phone calls are made by clicking on a Web-page link. Other scenarios would include Web-based voicemail, and more advanced call-waiting features.

GCI is developing its cable telephone network with an eye toward voice-over-IP, but the technology still needs to be refined, and those kinds of services probably won't be common for another five years, according to Dowling.

"The real interesting developments will be in the way that consumers use the network going forward, and this architecture gives us the ability to bring those things in at such time as they become mature enough and people want them," he said.

Daily News reporter Richard Richtmyer can be reached at rrichtmyer@adn.com or 257-4344.

FORM 10-K

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

(√) ANNUAL REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2001

Or

( ) TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File No. 0-15279

GENERAL COMMUNICATION, INC.

(Exact name of registrant as specified in its charter)

ALASKA	92-0072737
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

2550 Denali Street Suite 1000 Anchorage, Alaska	99503
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (907) 265-5600

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act:

Class A common stock	Class B common stock
(Title of class)	(Title of class)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days.

Yes √ No ___.

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

The aggregate market value of the voting stock held by non-affiliates of the registrant, computed by reference to the average bid and asked prices of such stock as of the close of trading on February 28, 2002 was approximately $303,728,758.

The number of shares outstanding of the registrant's common stock as of March 13, 2002, was:

Class A common stock – 51,120,611 shares; and
Class B common stock – 3,882,843 shares.

DOCUMENTS INCORPORATED BY REFERENCE

Certain portions of the registrant's definitive Proxy Statement to be filed pursuant to Regulation 14A of the Securities Exchange Act of 1934, as amended, in connection with the Annual Meeting of Stockholders of the registrant to be held on June 6, 2002 are incorporated by reference into Part III of this report.

EXHIBIT B

plan to invest $4 to $5 million over the next two years to migrate technical and billing functions onto our platform, upgrade the plant and implement digital programming.

Fiber Capacity Sale
We completed a $19.5 million sale of long-haul capacity in the Alaska United undersea fiber optic cable system in a cash transaction in the first quarter of 2001. The sale included both capacity within Alaska, and between Alaska and the Lower 48 states. We used the proceeds from the fiber capacity sale to repay $11.7 million of the Fiber Facility debt and to fund capital expenditures and working capital.

Properties Expansion
We began efforts in 2001 to connect Palmer and Wasilla, Alaska to our fiber optic network in Anchorage. We completed the first phase of the project in February 2002, connecting our network in Anchorage to our Wasilla Call Center with fiber optic cable facilities. The second phase will connect and expand our facilities to provide cable and entertainment services to the Palmer-Wasilla area. We expect that work to be complete in 2002. Upon completion, we will provide cable television programming content from our Anchorage head end facility to Palmer and Wasilla.

Cable Services Expansion
We continued to upgrade and expand our cable infrastructure in 2001. These efforts increased the capacity and reliability of our systems, making possible further deployment of two-way applications such as cable modems and digital cable television programming, and provided capacity for additional program and service offerings.

We extended our digital cable service to the Juneau, Kenai and Soldotna, Alaska markets in 2001. Digital cable service allows us to use digital compression to substantially increase the capacity of our cable communications systems, improve picture quality and provide CD quality audio. Digital cable subscriber counts in all locations totaled approximately 24,500 in 2001, an increase of 62.5% as compared to 2000.

Cable modem subscriber counts increased 64.5% in 2001 as compared to 2000. Approximately 86.2% of our cable customers are able to receive cable modem service. Cable modems are deployed in approximately 11.2% of the homes passed by our cable systems in markets offering such service, which we believe is well above the national average. Cable modem services provide high-speed, dedicated access to the Internet through our coaxial cable network.

We launched video-on-demand service to certain of our Anchorage commercial customers and expect to provide this service to more customers in 2002. This service passed 877 hotel rooms at December 31, 2001. During 2001 we launched digital special interest channels and residential pay per view in the Kenai and Soldotna markets, digital special interest channels in the Juneau market, advanced analog programming in the Sitka market, and added new channels in several other markets.

We continue to evaluate technology and the feasibility of using our cable plant for telephone services that will enable us to deliver local telephone access services on our own network. Testing and design is underway with regard to alternative equipment, cable plant, the method of powering the system and operational support systems. Upgrades have been made to a node in our Anchorage plant to create a test platform for cable telephony.

Local Access Services Expansion
We had approximately 79,200 local access services lines in service in Anchorage and Fairbanks, Alaska at December 31, 2001, a 27.5% increase from December 31, 2000. In late 2001 we began selling GCI local services in Juneau with conversions beginning in the first quarter of 2002. We continue to evaluate expanded implementation of wireless local loop and cable telephony technologies.

The cable industry is now expanding its competitive offerings to include business and residential telephone services delivered over its fiber optic infrastructure. Cable-delivered telephone service is a natural extension of a network already capable of delivering digital and broadband services and products. Once upgraded to two-way fiber optics, a cable system can offer telephone service over the same cable line that already carries digital video, high speed Internet, and other advanced services to consumers. At least nine of the nation's largest multiple system operators are reported to now offer residential and/or commercial phone service in more than 45 markets, serving more than one million customers.

Cable companies have deployed circuit-switched technology to provide local service, however future movement is expected toward voice over Internet protocol ("VoIP"). Circuit-switched service requires large capital expenditures for switching equipment in addition to facility upgrades. VoIP is more modular and does not require the large upfront cost needed to deploy circuit-switched service. VoIP is not only an incremental expense, it utilizes the data path already built, and is expected to allow for easy software changes and additions to service packages, and innovative combinations of voice, data, and fax services. Continuing questions about scalability and powering for lifeline service need to be resolved before IP telephony can be marketed on a mass scale.

The NCTA reports that cable-delivered residential telephone service subscribers totaled 1.5 million through December 2001, with analysts projecting 15.4 million subscribers in 2005.

With digital transmissions and compression, cable operators are better able to offer a variety and quality of channels to rival DBS, with pay-per-view choices that can approximate video-on-demand. In 2000 we installed a commercial version of video-on-demand for the Anchorage hotel market and continue to evaluate the feasibility of deploying this technology in the residential market. With this service, customers can access a wide selection of movies and other programming at any time, with digital picture quality.

Acquisitions, mergers and divestitures are shaping the cable industry in a technological convergence similar to what is happening in the telecommunications industry. The FCC reports that the ten largest operators now serve close to 87% of all U.S. cable subscribers. Twenty-three system transactions occurred during the first six months of 2001 affecting over 4 million subscribers. The average dollar value per subscriber totaled $3,656 as compared to $5,923 per subscriber for transactions occurring in 2000.

The FCC reported that estimated 2001 total cable industry revenue reached $44.0 billion, an estimated 15.4% increase over 2000, and that revenue per subscriber per year reached approximately $637, or $53 per subscriber per month. Revenue growth in 2001 occurred primarily in advanced services (171% increase), pay-per-view (44% increase), and local advertising (13% increase) categories. Advanced services includes advanced analog, digital video, high-speed data, cable telephony, interactive services, and games.

The FCC reports that the costs of acquiring video programming over the past two years has continued to escalate. Programming costs have increased by 13% to 15% over the past two years. Some services have increased by as much as 33%. Increased programming costs, especially higher sports license fees, system upgrades and equipment cost increases resulted in higher cable rates for subscribers. Industry cable rates increased approximately 5.7% in 2001.

The NCTA reported that the number of basic cable subscribers continued to grow, reaching 72.9 million in 2001, an increase of 5.2% as compared to 2000. The total number of subscribers to both cable and non-cable MVPDs continues to increase. 88.3 million households subscribe to multichannel video programming services as of June 2001, up 4.6% over the 84.4 million households subscribing to MVPDs in June 2000. This subscriber growth accompanied a 2.7 percentage point increase in MVPDs' penetration of television households to 86.4% as of June 2001.

TV, and video dial tone, has created opportunities for growth in local loop services. These new services are fundamentally restructuring the competitive local loop services market.

Emerging from the new competitive landscape are CLECs who offer Internet access and data services to medium and large size businesses. They obtain interconnection agreements with ILECs for DSL-qualified unbundled network element loops. One loop, so qualified and equipped with appropriate access devices, enables the delivery of high speed (generally less than 768 kbps but sometimes faster rates), always-connected Internet access, LAN/WAN interconnectivity, and private line and private network circuits.

Cable telephony deployments in the US continue to expand using proprietary, circuit switched technology. The standardized, packet (IP) technology has not developed as quickly as the industry projected in 2001, however, significant progress has occurred. Hardware is now available that is DOCSIS 1.1 qualified, which provides quality of service necessary for voice services. We continue to prepare for the earliest possible deployment of a cable telephony solution that meets our needs and the needs of our customers.

Wireless local loop access technologies (other than fixed rate cellular telephone service), while developing for international applications, have not yet developed a significant market presence in the United States. AT&T Wireless' fixed wireless plan, called Project Angel – was test-marketed in the Anchorage area. Initially conceived as AT&T's proprietary strategy for bypassing local phone carriers, industry analysts believe AT&T reconfigured it to primarily deliver always-on high-speed Internet access at 512 kbps where the carrier lacks cable system facilities in markets such as Anchorage. AT&T Wireless announced in October 2001 that it intended to close its fixed wireless operations, citing the high cost of expanding a business that does not fit into the company's core strategy.

General
Our local access services division entered the local services market in Anchorage in 1997, providing services to residential, commercial, and government users. We can access approximately 92% of Anchorage area local loops from our collocated remote facilities and DLC installations.

Products
Our collocated remote facilities access the ILEC's unbundled network element loops, allowing us to offer full featured, switched-based local service products to both residential and commercial customers. In areas where we do not have access to Anchorage ILEC loop facilities, we offer service using total service resale of the ILEC's local service.

Our package offerings are competitively priced and include popular features, such as the following.

- Enhanced call waiting
- Caller ID on call waiting
- Anonymous call rejection
- Call forward busy
- Enhanced call waiting
- Follow me call
- Multi-distinctive ring
- Selective call forwarding
- Selective call rejection
- Speed calling
- Voice mail
- Non-listed number
- Caller ID
- Free caller ID box
- Call forwarding
- Call forward no answer
- Fixed call forwarding
- Intercom service forwarding
- Per line blocking
- Selective call acceptance
- Selective distinctive alert
- Three way calling
- Inside wire repair plan
- Non-published number

FORM 10-K

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

(√) ANNUAL REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2002

Or

( ) TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File No. 0-15279

GENERAL COMMUNICATION, INC.

(Exact name of registrant as specified in its charter)

ALASKA	92-0072737
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

2550 Denali Street Suite 1000 Anchorage, Alaska	99503
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (907) 265-5600

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act:

Class A common stock	Class B common stock
(Title of class)	(Title of class)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days. Yes √ No ___.

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

The aggregate market value of the voting stock held by non-affiliates of the registrant, computed by reference to the average bid and asked prices of such stock as of the close of trading on as of the last business day of the registrant's most recently completed second fiscal quarter of June 30, 2002 was approximately $266,243,000.

The number of shares outstanding of the registrant's common stock as of February 28, 2003, was:

Class A common stock – 51,888,120 shares; and,
Class B common stock – 3,874,607 shares.

DOCUMENTS INCORPORATED BY REFERENCE

Certain portions of the registrant's definitive Proxy Statement to be filed pursuant to Regulation 14A of the Securities Exchange Act of 1934, as amended, in connection with the Annual Meeting of Stockholders of the registrant to be held on June 5, 2003 are incorporated by reference into Part III of this report.

EXHIBIT C

We purchased a second 5ESS digital host switch manufactured by Lucent Technologies to accommodate Anchorage area customer and traffic growth. We expect to place the new switch into service in 2003. We have similar Lucent 5E switches in Anchorage and Seattle, and smaller remote Lucent 5E switches in Fairbanks and Juneau. We shut down our Seattle, Fairbanks and Juneau Alcatel DSC DEX switches upon installation of the Lucent 5E switches. DEX is a trade name for an Alcatel (previously Digital Switch Corporation) electronic digital switching system.

Cable Services Expansion

We continued to upgrade and expand our cable infrastructure in 2002. These efforts increased the capacity and reliability of our systems, making possible further deployment of two-way applications such as cable modems and digital cable television programming, and provided capacity for additional program and service offerings.

We continued to extend our digital cable service in the Anchorage, Juneau, Kenai and Soldotna, Alaska markets in 2002. Digital cable service allows us to use digital compression to substantially increase the capacity of our cable communications systems, improve picture quality and provide CD quality audio. Digital cable subscriber counts in all locations totaled approximately 30,500 in 2002, an increase of 24.3% as compared to 2001.

To meet future bandwidth requirements in the Anchorage and Matanuska-Susitna valley markets, efforts began in 2002 to move all programming services above the basic service level to a digital platform. A plant upgrade for the Matanuska-Susitna valley system began in 2002 and is expected to be completed in 2004.

Approximately 96.1% of our cable customers are able to receive cable modem service. Cable modems are deployed in approximately 19.1% of the homes passed by our cable systems in markets offering such service, which we believe is well above the national average. Cable modem services provide high-speed, dedicated access to the Internet through our coaxial cable network.

We launched video-on-demand service to certain of our Anchorage commercial customers and added additional customers in 2002. This service passed 1,389 hotel rooms at December 31, 2002, an increase of 54.5% as compared to 2001.

We initiated digital cable entertainment services in 2002 to 1,050 rooms at the Kuparuk Oil Field living quarters facilities in Prudhoe Bay, Alaska. This service includes 100 channels of video, music and pay-per-view choices, including one Anchorage broadcast television station.

Our Anchorage cable channel lineup was realigned in 2002, allowing us to begin swapping all of our existing analog boxes for digital boxes. Moving to digital allows us offer better service, more channels and better quality. We are also able to reclaim bandwidth for other services, including cable telephony, cable modems, and additional cable video services.

We signed new seven-year retransmission agreements with five local Anchorage broadcasters and began up linking and distributing that programming to all of our cable systems. These agreements allow other locations in Alaska to receive local Anchorage broadcasting service in addition to programming received from non-Alaska markets, providing additional value to our cable subscribers and allowing us to differentiate our programming from that of our DBS competitors.

We continue to evaluate technology and the feasibility of using our cable plant for telephone services that will enable us to deliver local telephone access services on our own network. Testing and design is underway with regard to chosen equipment, cable plant, power delivery, and operational support systems. Upgrades have been made to a node in our Anchorage plant to create a test deployment platform for cable telephony. Our upgraded cable plant node was certified compliant with DOCSIS 1.1 standards in 2002.

You should see *Part I, Item 1. Business, Narrative Description of our Business - Cable Services, and Part I, Item 1. Regulation, Franchise Authorizations and Tariffs – Cable Services Operations* for more information.

Local Access Services Expansion

We had approximately 96,100 local access services lines in service in Anchorage, Fairbanks and Juneau, Alaska at December 31, 2002, a 21.3% increase from December 31, 2001. In late 2001 we began selling GCI local services in Juneau with conversions beginning in the first quarter of 2002. We continue to evaluate expanded implementation of wireless local loop and cable telephony technologies.

We filed a bona fide request with the ILEC, ACS of the Northland, Inc, in 2001 to negotiate rates and services in order to provide competitive local access services in Nenana, Ft. Greely, North Pole, Delta Junction, Kenai, Soldotna, Ninilchik, Homer, Seldovia and Kodiak, Alaska. The RCA has approved an interconnection agreement and GCI can now apply for approval to enter these markets, which must be granted by the RCA before we begin to provide local access services.

You should see *Part I, Item 1. Business, Narrative Description of our Business - Local Access Services*, and *Part I, Item 1. Regulation, Franchise Authorizations and Tariffs – Telecommunication Operations* for more information.

Internet and Broadband Services Expansion

We provided Internet service to approximately 70,700 dial-up subscribers at December 31, 2002, a 2.5% increase from December 31, 2001. We provided service to approximately 36,200 cable modem subscribers at December 31, 2002, a 36.7% increase from December 31, 2001.

Approximately 96.1% of our cable customers are able to receive cable modem service. Cable modems are deployed in approximately 19.1% of the homes passed by our cable systems in markets offering such service, which we believe is well above the national average. Cable modem services provide high-speed, dedicated access to the Internet through our coaxial cable network. After significant plant upgrades to handle reverse feed and higher bandwidth requirements, we initiated cable modem services in 2002 in Petersburg, Wrangell, Cordova, Homer, Bethel, Nome, and Kodiak, Alaska.

We initiated cable modem service in the Kenai and Soldotna, Alaska communities in 2002. All locations that implemented cable modems in 2002 use the new DOCSIS 1.1 platform. We also upgraded cable modem customers in the Wasilla, Alaska service area in 2002 to the DOCSIS 1.1 platform. We believe that we are the first company in North America to successfully deploy the DOCSIS 1.1 platform. This new non-proprietary platform allows us to provide a higher level of service, helps us eliminate network congestion and run a cleaner network that is more efficient to manage. It also protects customers from hackers and helps us reduce the risk of high speed internet theft.

We increased the speeds of our DoubleUp and Gold cable modem product offerings in certain markets in 2002, at no cost to our customers. Our premium cable modem service, The Diamond service package, offers 2.4 megabits per second which is twice as fast as our competitor's best package DSL offering.

We began offering our *PrudhoeNet* dialup Internet service to Prudhoe Bay, Alaska oilfield workers in early 2003. We believe our product offers both lower price and high quality for oilfield workers who want to stay in touch with family, friends and business during their off work hours.

Our *SchoolAccess* ™ program was first deployed successfully in Alaska where we provide satellite-delivered voice, video and data services to many of the state's rural communities. More than 80,000 Alaska students are now connected to the Internet with *SchoolAccess* ™. We provide e-mail service, a custom user interface, a help desk, onsite training, security, network optimization, network management, content filtering services and website hosting for 195 schools in rural Alaska using *SchoolAccess* ™, and provide Internet only services to approximately

provide facilities for the transmission and distribution to homes and businesses of interactive computer-based services, including the Internet, as well as data and other non-video services. The FCC has conducted spectrum auctions for licenses to provide PCS. PCS will enable license holders, including cable operators, to provide voice and data services. We own a statewide license to provide PCS services in Alaska.

Cable television systems generally operate pursuant to franchises granted on a non-exclusive basis. The 1992 Cable Act gives local franchising authorities jurisdiction over basic cable service rates and equipment in the absence of "effective competition," prohibits franchising authorities from unreasonably denying requests for additional franchises and permits franchising authorities to operate cable systems. Well-financed businesses from outside the cable industry (such as the public utilities that own certain of the poles on which cable is attached) may become competitors for franchises or providers of competing services.

Our cable services sales efforts are primarily directed toward increasing the number of subscribers we serve, selling bundled services, and generating incremental revenues through product and feature up-sale opportunities. We sell our cable services through telemarketing, direct mail advertising, door-to-door selling, up-selling by our customer contact personnel, and local media advertising.

Advances in communications technology as well as changes in the marketplace are constantly occurring. We cannot predict the effect that ongoing or future developments might have on the telecommunications and cable television industries or on us specifically.

Local Access Services

Industry

The FCC reported that end-user customers obtained local service by means of 167 million ILEC switched access lines, 22 million CLEC switched access lines, and 129 million mobile wireless telephone service subscriptions. Total CLEC switched access lines increased by 10% during the first half of 2002, from 19.7 million to 21.6 million lines.

The FCC reported that CLECs provided 11.4% of the approximately 189 million nationwide switched-access lines in service at the end of June 2002, compared to 9.0% at the end of June 2001. The FCC further reported that slightly over half of reported CLEC switched access lines serve residential and small business customers, compared to over three-quarters of ILEC lines. CLECs reported 7.8% of total residential and small business switched access lines, compared to 5.5% a year earlier.

During the first half of 2002, the FCC reported that cable telephony lines increased by 16% to 2.6 million lines, from 2.2 million lines at the end of June 2001. The 2.6 million reported cable-telephony lines constituted about 12% of switched access lines provided by CLECs and about 1% of total switched access lines. CLECs reported providing about 21% (a decline from 43% in December 1999) of their switched access lines by reselling the services of other carriers and about 50% (an increase from 24% in December 1999) by means of UNE loops leased from other carriers. The remainder of CLEC lines was provided over local loop facilities owned by the CLECs.

Emerging from the new competitive landscape are CLECs who offer Internet access and data services to medium and large size businesses. They obtain interconnection agreements with ILECs for DSL-qualified unbundled network element loops. One loop, so qualified and equipped with appropriate access devices, enables the delivery of high speed (generally less than 768 kbps but sometimes faster rates), always-connected Internet access, LAN/WAN interconnectivity, and private line and private network circuits.

Cable telephony deployments in the US continue to expand using proprietary, circuit switched technology. The standardized, packet (IP) technology made significant progress in 2002, however, significant deployments have not yet occurred. In 2002, more hardware became available that is DOCSIS 1.1 qualified, which provides quality

THE WALL STREET JOURNAL. ONLINE

December 9, 2003

Time Warner Cable Expands Net-Phone Plan

By PETER GRANT and SHAWN YOUNG
Staff Reporters of THE WALL STREET JOURNAL

In a major acceleration of its plans to roll out a new telephone service using Internet technology, **Time Warner** Inc.'s cable division said it now expects to offer the service to almost all 18 million households that could connect to its cable systems by the end of next year.

The move is the latest boost for a technology known as voice over Internet protocol, or VOIP, which holds huge potential to shake up the telecom industry by slashing costs and offering new features traditional carriers can't offer. Time Warner's decision to ramp up its expansion is likely to intensify the battle among cable and telephone companies over which can offer the most attractive bundle of telephone, video and high-speed Internet services.

As part of its announcement Monday, Time Warner said it has cut deals with **Sprint** Corp. Overland Park, Kan., and MCI, Ashburn, Va., to carry long-distance traffic and provide other services, such as connections between cable systems and local phone lines. Time Warner executives said they could have developed these services themselves, but buying them from Sprint and MCI, formerly known as WorldCom Inc., enabled Time Warner to move faster.

"We're eager to get into the market quickly," said Glenn Britt, Time Warner Cable's chairman and chief executive.

Time Warner Cable, the country's second-largest cable company, has been one of the pioneers in using VOIP to develop a phone service for consumers. The company launched the service in Portland, Maine, in the spring, but until now its announced expansion plans were limited to Rochester, N.Y., and two systems in North Carolina.

EXHIBIT D

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(√) ANNUAL REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2004

or

( ) TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File No. 0-15279

GENERAL COMMUNICATION, INC.

(Exact name of registrant as specified in its charter)

ALASKA	92-0072737
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

2550 Denali Street Suite 1000 Anchorage, Alaska 99503
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (907) 868-5600

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act:

Class A common stock	Class B common stock
(Title of class)	(Title of class)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes √ No ___.

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [√]

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes √ No ___

The aggregate market value of the voting stock held by non-affiliates of the registrant, computed by reference to the average bid and asked prices of such stock as of the close of trading on as of the last business day of the registrant's most recently completed second fiscal quarter of June 30, 2004 was approximately $324,817,000.

The number of shares outstanding of the registrant's common stock as of February 28, 2005, was:

Class A common stock - 51,559,580 shares; and,
Class B common stock - 3,861,722 shares.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's definitive proxy statement relating to its 2005 Annual Meeting of Shareholders are incorporated by reference in Part III of this Annual Report on Form 10-K where indicated. Alternatively, the Registrant may file an amendment to this Form 10-K to provide such information within 120 days following the end of Registrant's fiscal year ended December 31, 2004.

EXHIBIT E

Advances in communications technology as well as changes in the marketplace are constantly occurring. We cannot predict the effect that ongoing or future developments might have on the communications and cable television industries or on us specifically.

Local Access Services

Industry. The FCC reported that end-user customers in the U.S. obtained local service at June 30, 2004 by means of 148 million ILEC switched access lines, 32 million CLEC switched access lines, and 167 million mobile wireless telephone service subscriptions.

The FCC reported that total CLEC end-user switched access lines increased by 7% during the first half of 2004, from 30 million to 32 million lines. By comparison, total CLEC lines increased by 10% during the preceding six months, from 27 to 30 million lines. For the full twelve month period ending June 30, 2004, CLEC end-user lines increased by 19%. Approximately 18% of the 180 million total end-user switched access lines were reported by CLECs, compared to 16% a year earlier.

The FCC further reported that approximately 65% of reported CLEC switched access lines serve residential and small business customers, compared to approximately 77% of ILEC lines. CLECs reported 15% of total residential and small business switched access lines, and 25% of the total medium and large business, institutional, and government customer access lines.

The FCC reported that CLECs reported providing about 16% (a decline from 43% in December 1999) of their switched access lines by reselling the services of other carriers, about 61% (an increase from 24% in December 1999) by means of UNE loops leased from other carriers, and about 23% of switched access lines over their own local loop facilities.

The FCC reports that since December 1999, the percentage of nationwide CLEC switched access lines reported to be provisioned by reselling services has declined steadily, to 16% at the end of June 2004, and the percentage provisioned over UNE loops has grown steadily, to 61% at June 30, 2004. The FCC reported that ILECs provided about 1.6 million switched access lines to unaffiliated carriers on a resale basis at the end of June 2004, down from 1.8 million six months earlier. The FCC reported that ILECS provided 21.4 million unbundled loops (with or without unbundled switching) to unaffiliated carriers at June 30, 2004, up from 19.4 million six months earlier.

UNE loops provided with ILEC switching (UNE-Platform) have increased faster than UNE loops provided without switching. The FCC reported that ILECs provided approximately 13% more UNE loops with switching to unaffiliated carriers at the end of June 2003 than they reported six months earlier (17.1 million compared to 15.2 million) and about 1% fewer UNE loops without switching (about 4.3 million).

The FCC reports that at June 30, 2004 in the U.S., local telephone service was provided by CLECs to over 3.3 million coaxial cable connections, which constituted approximately 45% of the 7.5 million switched access lines provided by CLECs over their own local loop facilities, approximately 10% of all switched access lines reported by CLECs, and approximately 2% of total switched access lines.

Cable telephony deployments in the U.S. continue to expand using proprietary, circuit switched technology. More hardware has become available that is DOCSIS 1.1 qualified, which provides quality of service necessary for voice services. Cable telephony services continue to expand as cable television operators expand their video, data, and voice service offerings. A significant driver for cable telephony is the bundling of telephony services with existing digital video and high speed data services.

Industry analysts estimate that worldwide cable telephony subscribers totaled 11.8 million at the end of 2004, are expected to exceed 14 million by late 2005, and will grow to over 22 million by the end

of 2008. The vast majority of cable-telephony subscribers reportedly rely on circuit-switched technology. Of the 11.8 million worldwide cable-telephony subscribers at the end of 2004, less than 500,000 were using Voice over Internet Protocol ("VoIP") technology.

We began deploying a cable telephony solution in the second quarter of 2004 that meets our needs and we believe meets the needs of our customers.

The communications industry has been burdened by regulatory uncertainty as a result of successive court reversals of the FCC's core local competition rules. In response to such court reversals and to remove uncertainty, the FCC adopted new rules for network unbundling obligations of ILECs in December 2004. See "Part I — Item I — Business, Regulation, Franchise Authorizations and Tariffs — Local Access Services" for more information.

General. Our local exchange and exchange access services ("local access services") segment entered the local services market in Anchorage in 1997, providing services to residential, commercial, and government users. At December 31, 2004 we could access approximately 93%, 71%, and 48% of Anchorage, Fairbanks, and Juneau area local loops, respectively, from our collocated remote facilities and DLC installations, excluding Wainwright and Eielson areas.

Products. Our own DLPS facilities and collocated remote facilities that access the ILEC's unbundled network element loops allow us to offer full featured local service products to both residential and commercial customers, and provide Private Line service products to commercial customers. In areas where we do not have our own DLPS facilities or access to ILEC loop facilities, we offer service using total service resale of the ILEC's local service in Anchorage, and either total service resale or UNE platform in Fairbanks and Juneau.

Our package offerings are competitively priced and include popular features, such as the following.

- Enhanced call waiting
- Caller ID on call waiting
- Anonymous call rejection
- Call forward busy
- Enhanced call waiting
- Follow me call
- Multi-distinctive ring
- Selective call forwarding
- Selective call rejection
- Speed calling
- Voice mail
- Non-listed number
- Caller ID
- Free caller ID box
- Call forwarding
- Call forward no answer
- Fixed call forwarding
- Intercom service forwarding
- Per line blocking
- Selective call acceptance
- Selective distinctive alert
- Three way calling
- Inside wire repair plan
- Non-published number

Facilities. In Anchorage we utilize a centrally located Lucent 5ESS host switching system, have collocated six remote facilities adjacent to or within the ILEC's local switching offices to access unbundled loop network elements, and have installed a DLC system adjacent to a smaller, seventh ILEC wire center for access to unbundled loop network elements. Remote and DLC facilities are interconnected to the host switch via our diversely routed fiber optic links. Additionally, we provide our own facilities-based services to many of Anchorage's larger business customers through expansion and deployment of SONET fiber transmission facilities, DLC facilities, and leased HDSL and T-1 facilities.

In April 2004 we successfully launched our Digital Local Phone Service ("DLPS") deployment utilizing our Anchorage coaxial cable facilities. This delivery method allows us to utilize our own cable facilities to provide local access service to our customers and avoid paying local loop charges to the ILEC. To